

FY2016 Second Quarter Financial Results



August 22, 2016 (Mon.)

WORLD HOLDINGS CO., LTD.

First Section of Tokyo Stock Exchange (2429)



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II . FY2016 Business Forecasts

III. Future Activities

I . Summary of FY2016 Second Quarter Financial Results





**On Jun. 29, our company was listed in the first section of Tokyo Stock Exchange (TSE).
We would like to express our thanks to your support.**

- On Mar. 22, our stock market was changed from JASDAQ (standard) to the second section of TSE.



- On Jun. 29, our stock market was changed from the second section to the first section of TSE.

The image shows a screenshot of the World Holdings corporate website. At the top, there is a navigation bar with the text: 【全額払込】 2018年7月10日(火) 15時00分 公開 1000円 1000株 1000000000円. Below this is a message in Japanese: 平成28年熊本地震により被害を受けられました皆様へ、心よりお見舞い申し上げます。一日も早い復旧と復興をお祈りいたします。 The main visual is the World Holdings logo, a stylized figure in blue and orange. To the left of the logo is a photo of a man in a suit, identified as 代表取締役社長 藤田 隆夫. Below the logo, the text reads: WORLD HOLDINGS. Further down, a large headline states: おかげさまでこのたび、(株)ワールドホールディングスは東証第一部に上場いたしました。 Below this is the slogan: 人が活きるカタチを、世界へ。 and a paragraph of text: 私たちは、人材・教育、不動産、情報通信の3つのビジネスを運営して、「新しいカタチ」を創り、「新しいカタチ」を創る。 「新しいコミュニティ」のカタチを創る。社会に貢献してまいりました。今、世界は、かつてない激動の時代にあります。だからこそ、パートナー企業様のために、新しい関係を創る「人が活きるカタチ」を構築することが私たちの使命であると考えています。世界に向けて新たな企業集団であるために、更なる発展を目指し、ワールドホールディングスに、ご期待ください。 At the bottom, there is a grid of business units: 人材・教育ビジネス (World In-Ack, Mikuni, E-Support), 不動産ビジネス (World In-Ack, Mikuni, E-Support), and 情報通信ビジネス (E-Support, Mikuni, World In-Ack). A summary bar shows: 人財・教育ビジネス 45,677万円, 不動産ビジネス 31,785万円, 情報通信ビジネス 10,522万円, and 2018年12月期売上高 87,984万円. The footer contains the company name 株式会社ワールドホールディングス and the website www.world-hd.co.jp.

Second Quarter Summary



- Net sales, operating income, ordinary income, and net income decreased year on year, **but the incomes were larger than the estimated values for 2Q.**
- The primary reason for the declines in sales and income is the concentrated posting of sale of large-scale real estate in the realty business in the same period of the previous year. The rate of progress to the full-year forecast is as planned.

Unit: Million yen, %

	FY2015/2Q actual	FY2016/2Q actual	YOY		FY2016/2Q budget*	Results vs Budget	
			Change	Pct. Change		Excess	Achievement rate
Net sales	52,866	41,608	Δ11,258	Δ21.3	43,170	Δ 1,562	96.4
Operating income	4,484	2,111	Δ2,372	Δ52.9	1,767	344	119.5
Ordinary income	4,464	2,088	Δ2,375	Δ53.2	1,686	402	123.8
Net income attributable to owners of parent	3,106	1,199	Δ1,906	Δ61.4	1,034	165	116.0

*Announced on February 3, 2016

Sales by Business Segment for 2Q



- The human resources and education business is healthy, mainly because of the increase of transactions in the logistics field.
- The real estate business saw the decreases in sales and income, because the sale of real estate was concentrated in the second half as compared with the previous fiscal year.
- The information and telecommunications business improved profitability through the intensive investment in stores and personnel so far.

Unit: Million yen, %			FY2015/2Q actual	(Profit margin)	FY2016/2Q actual	(Profit margin)	YoY		Full-year budget*	(Profit margin)	Ratio to full- year budget
		Change					Pct. change				
Human resources and education business	Factory Business	Net sales	13,210		13,857		647	4.9	32,571		42.5
		Segment income	925	(7.0%)	948	(6.8%)	22	2.5	2,316	(7.1%)	41.0
	Technology Business	Net sales	4,648		4,912		263	5.7	10,669		46.0
		Segment income	512	(11.0%)	538	(11.0%)	26	5.1	952	(8.9%)	56.5
	R&D Business	Net sales	2,271		2,641		370	16.3	5,650		46.8
		Segment income	265	(11.7%)	255	(9.7%)	Δ9	Δ3.6	565	(10.0%)	45.2
	Sales & Marketing Business	Net sales	1,743		2,565		821	47.1	5,525		46.4
		Segment income	95	(5.5%)	147	(5.8%)	52	54.9	296	(5.4%)	49.8
	Others	Net sales	221		227		6	2.8	547		41.6
		Segment income	6	(3.0%)	5	(2.5%)	Δ0	Δ13.3	26	(4.8%)	21.7
Total (reference)		Net sales	22,095		24,205		2,109	9.5	54,963		44.0
		Segment income	1,804	(8.2%)	1,896	(7.8%)	91	5.1	4,157	(7.6%)	45.6
Real estate business	Real Estate Business	Net sales	24,235		13,346		Δ10,889	Δ44.9	37,092		36.0
		Segment income	3,372	(13.9%)	934	(7.0%)	Δ2,438	Δ72.3	3,921	(10.6%)	23.8
Information and telecommunications business	Information and Telecommunications Business	Net sales	6,535		4,056		Δ2,478	Δ37.9	8,056		50.4
		Segment income	Δ22	(—)	131	(3.3%)	154	(—)	200	(2.5%)	66.0
Total		Net sales	52,866		41,608		Δ11,258	Δ21.3	100,111		41.6
		Elimination or corporate	Δ670		Δ850				Δ2,003		—
		Operating income	4,484	(8.5%)	2,111	(5.1%)	Δ2,372	Δ52.9	6,275	(6.3%)	33.7

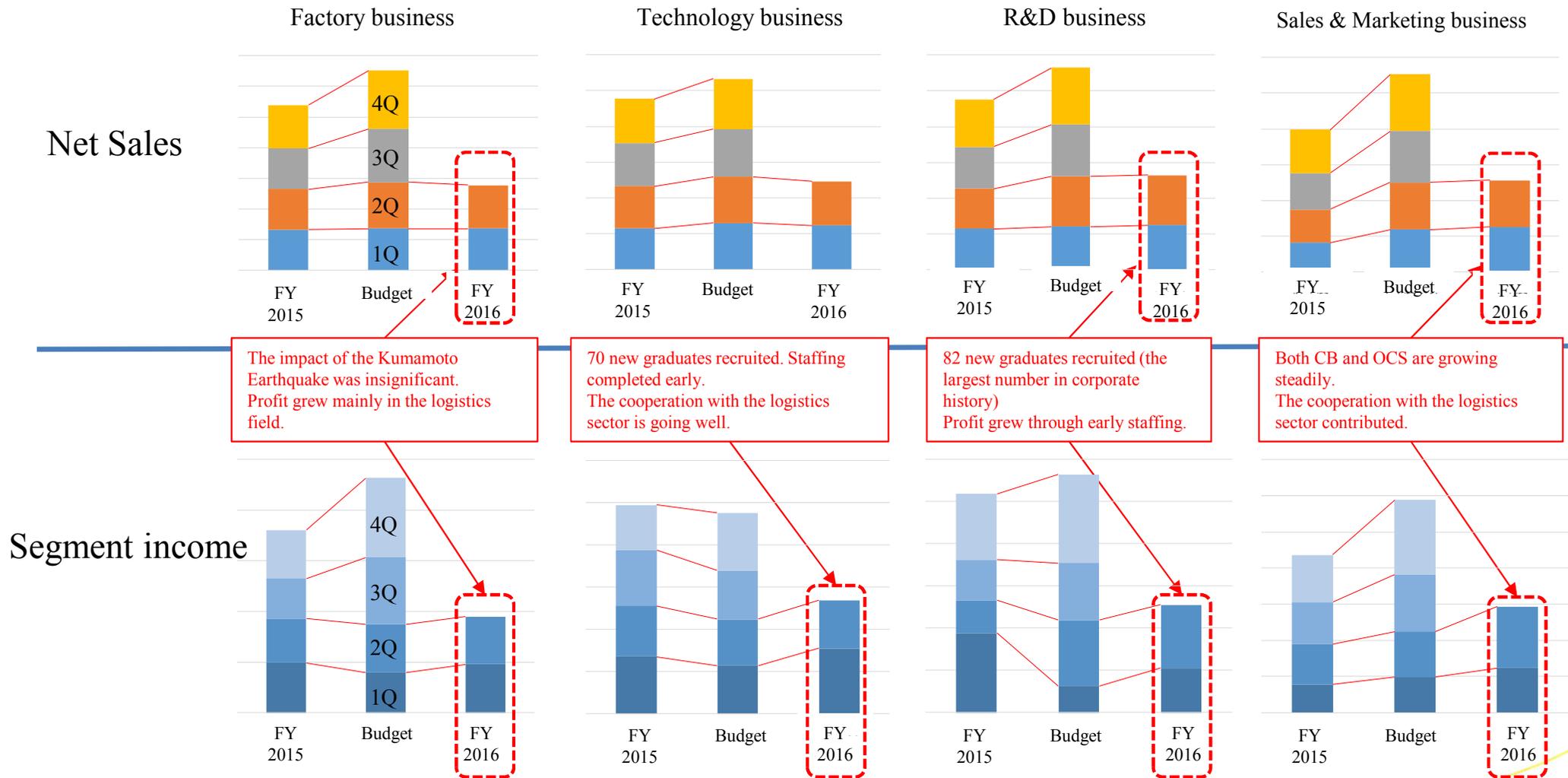
*Announced on February 3, 2016

Progress of Each Segment with Respect to the Budget

(1) Human Resources and Education Business



The major human resources business segment is progressing healthily as first budgeted.



Progress of Each Segment with Respect to the Budget



(2) Real Estate and Information and Telecommunications Businesses

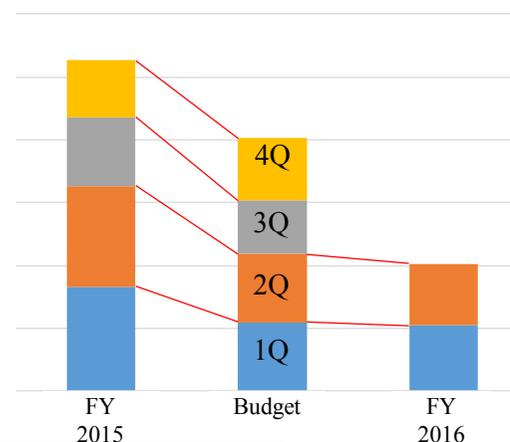
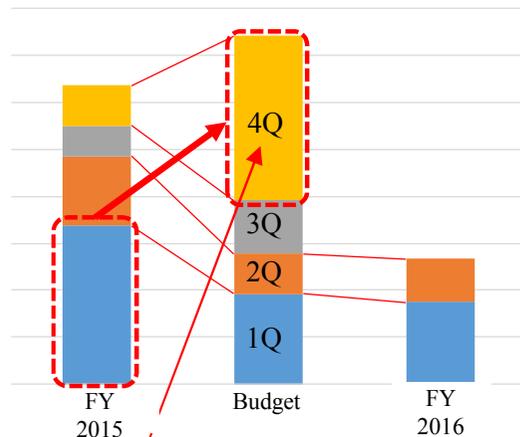
The real estate business is progressing healthily as a whole, although it is expected that the sale of real estate is concentrated in the second half.

As for the information and telecommunications business, profit is recovering steadily thanks to the business investment in the previous year

Real estate business

Information and telecommunications business

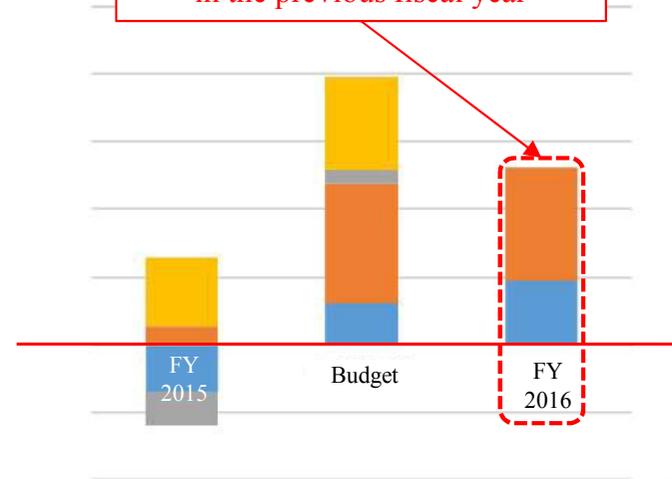
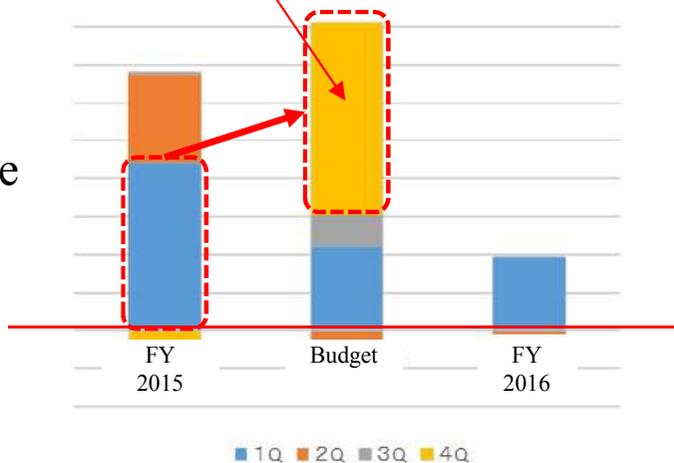
Net Sales



For this term, sale of real estate will be concentrated in the second half.

Recovery of operating income thanks to the business investment in the previous fiscal year

Segment income

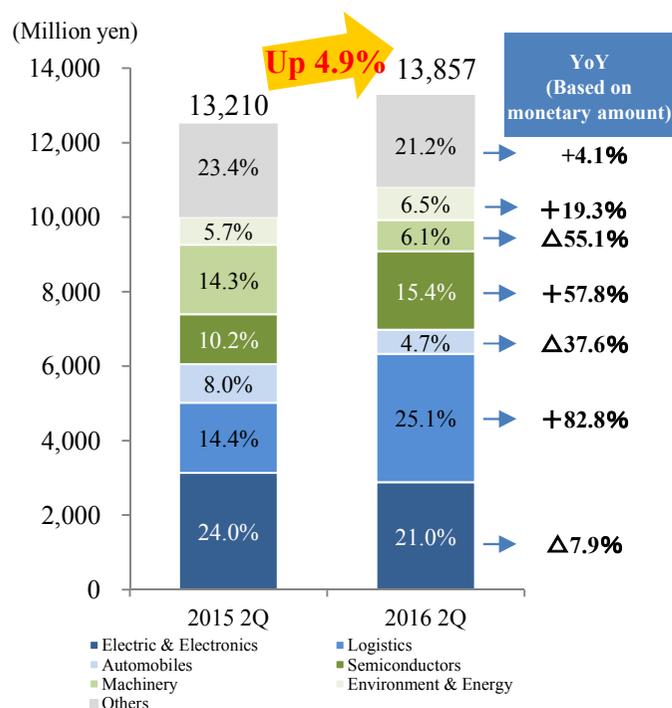


Factory Business

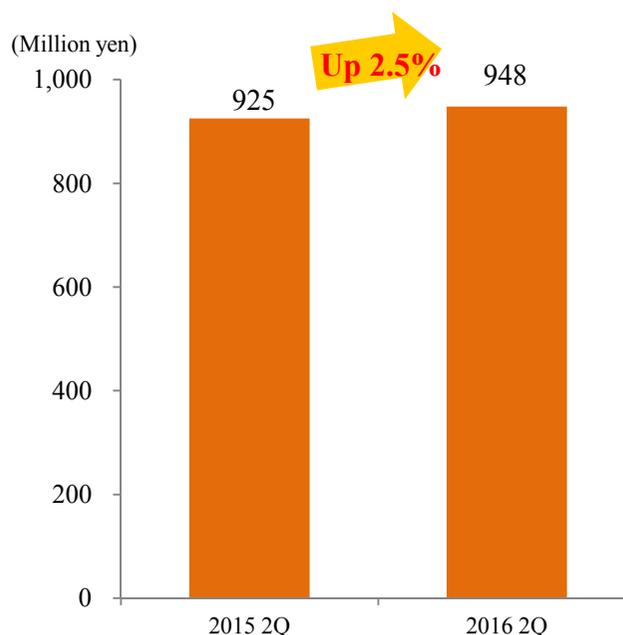
<Sales composition by business segment and the number of staff>

- The logistics segment grew considerably, because our performance was highly evaluated, leading to the increase of new transactions.
- In the manufacturing segment, smartphone-related business was not affected considerably, and mainly the business of semiconductors grew.
- We optimized our recruiting system, by taking full advantage of dormitories to secure those who can relocate, and so on.

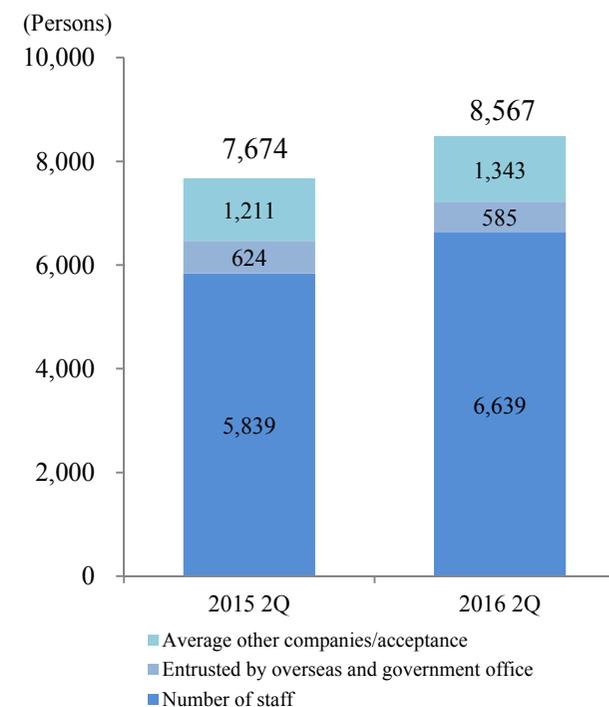
◆ Sales composition by business segment (%)



◆ Segment income



◆ Variation in the number of staff (3-month average)



*The number of staff is a three-month average, external staff members accepted from other companies are included.

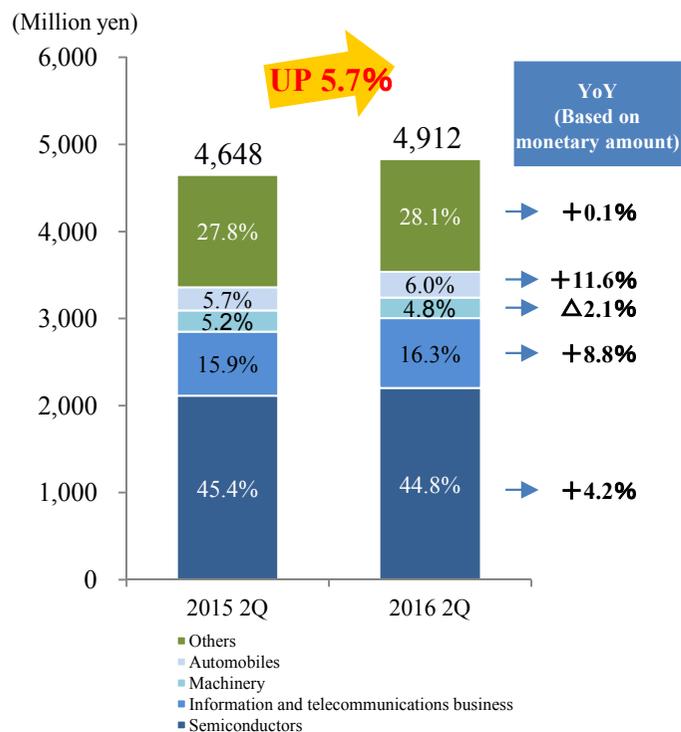
*Number of staff included only staff members who are engaged in on-site operation work.

Technology Business

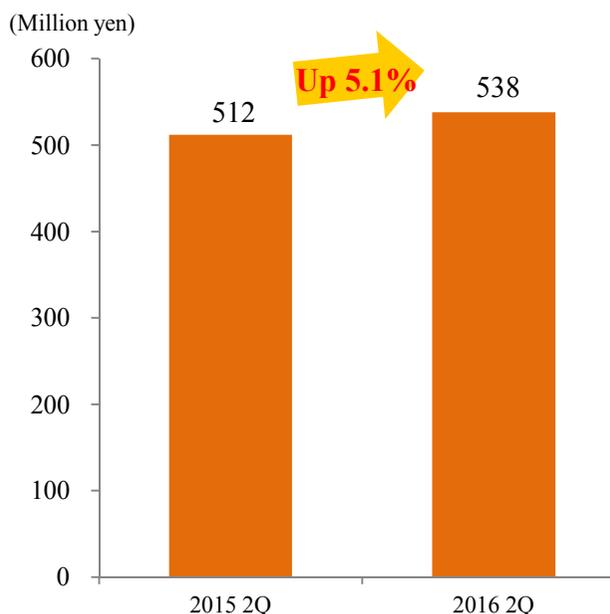
<Sales composition by business segment and the number of staff>

- We actively met demand mainly in the fields of semiconductors, information and telecommunications services.
- We concentrated on the development of educational infrastructure, and established Nagoya Design Center as a CATIA training institution.
- We installed JAVA Online Education System, which was developed jointly with Advan.

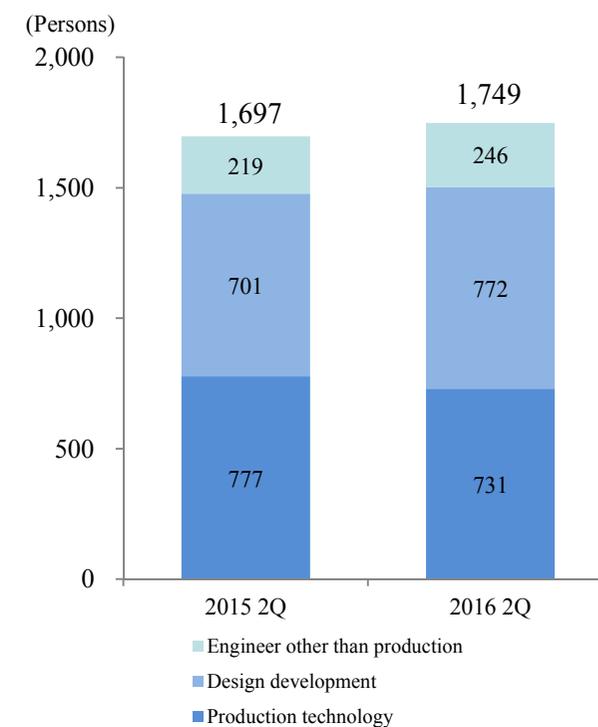
◆ Sales composition by business segment (%)



◆ Segment income



◆ Variation in the number of staff (3-month average)



*The number of staff is a three-month average.

*Number of staff included only staff members who are engaged in on-site operation work.

R&D Business

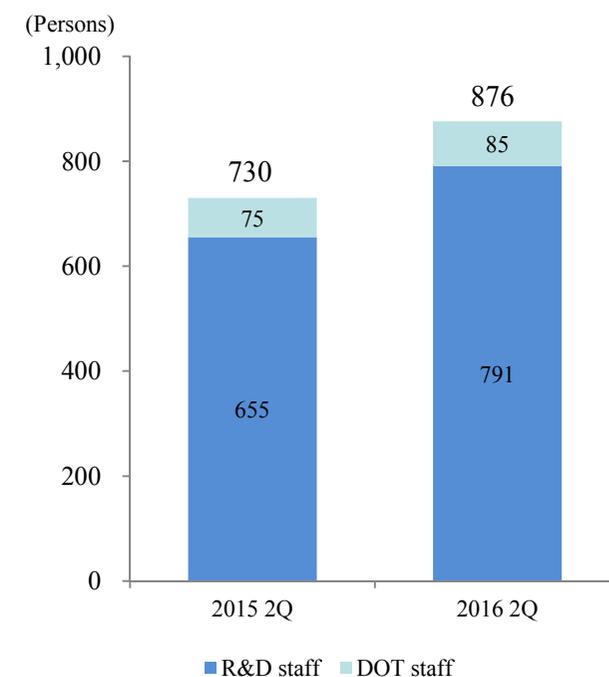
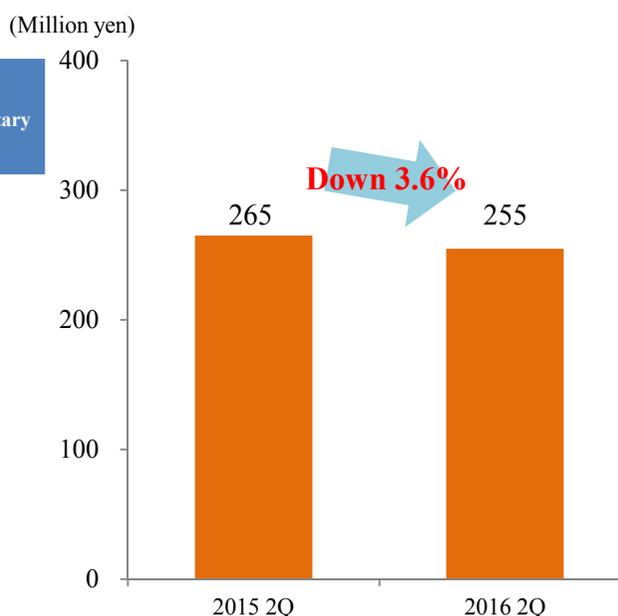
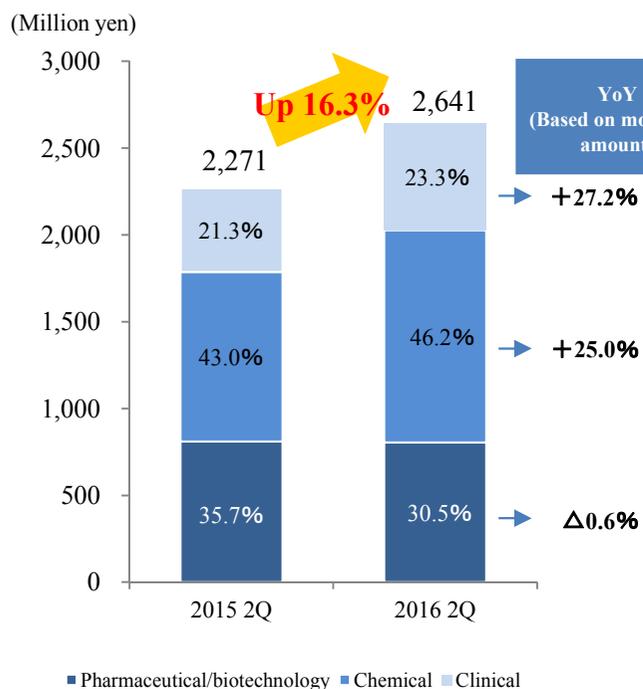
<Sales composition by business segment and the number of staff>

- The bio and chemical segments saw favorable demand, and the pharmacovigilance (PV) segment grew by recruiting overseas personnel.
- We recruited 82 new graduates and over 30 recent graduates, that is, over 100 employees per year, the largest number in corporate history.
- The business of DOT International is progressing healthily with the corporate clinical trial project, although some tests are postponed.

◆ Sales composition by business segment (%)

◆ Segment income

◆ Variation in the number of staff (3-month average)



*The number of staff is a three-month average. Number of staff included only staff members who are engaged in on-site operation work.

*PV=Abbreviation of Pharmacovigilance
To appropriately and swiftly collect and analyze safety information, such as the side effects of pharmaceutical products.

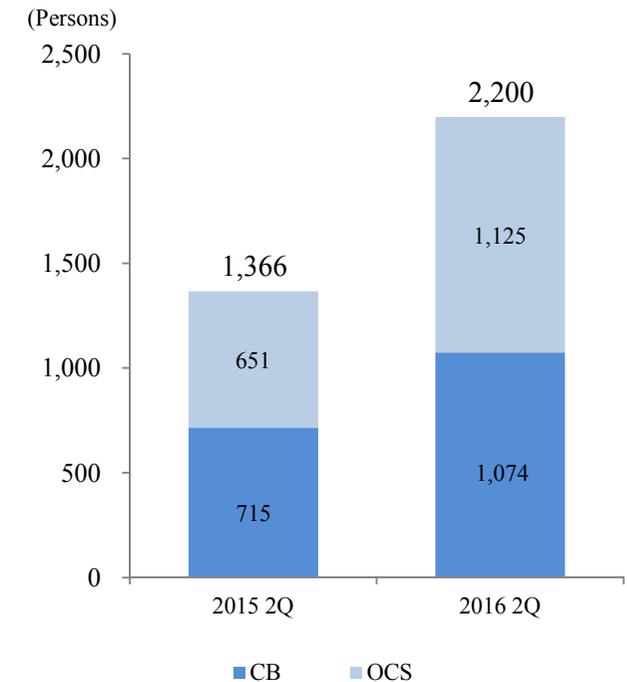
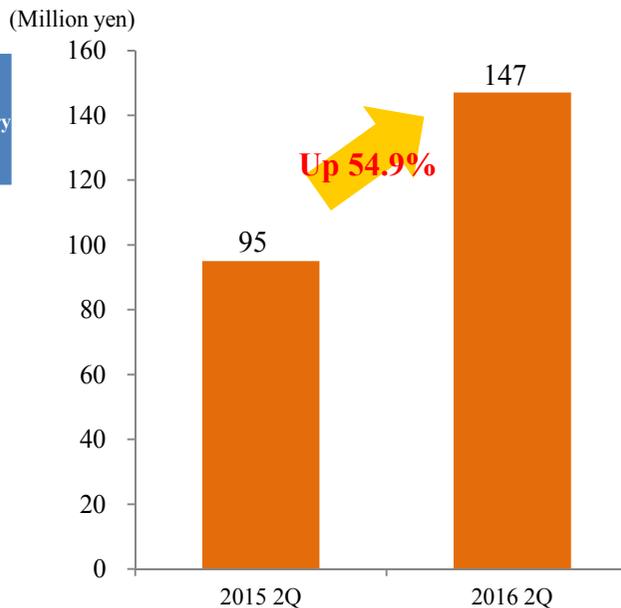
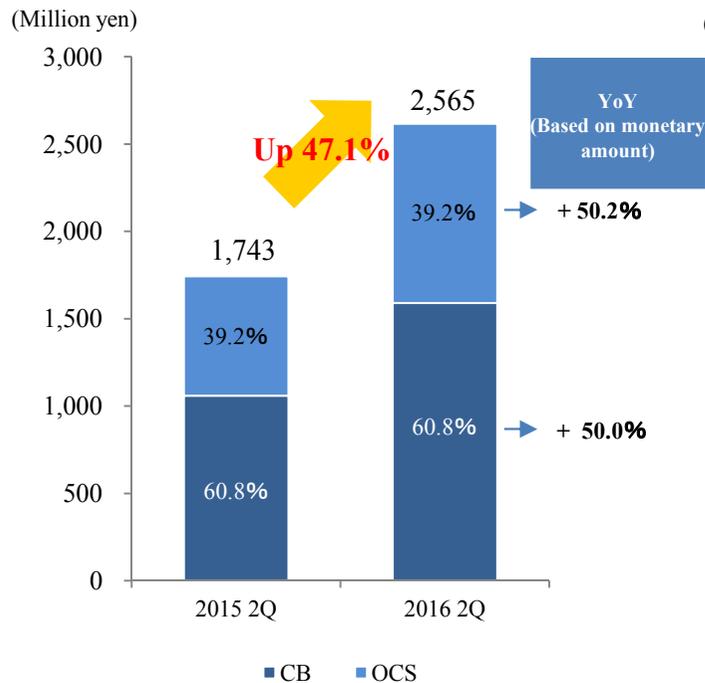
<Sales composition by business segment and the number of staff>

- The sales of CB (dispatch of sales staff) grew, as the direct transactions with department stores and mass retailers.
- The sales of OCS (dispatch of call center operators and others) grew, as the pipelines with leading vendors were established and the factory business section cemented its cooperation with the logistics sector.

◆ Sales composition by business segment (%)

◆ Segment income

◆ Variation in the number of staff (3-month average)



*The number of staff is a three-month average.

*Number of staff included only staff members who are engaged in on-site operation work.

Real Estate Business

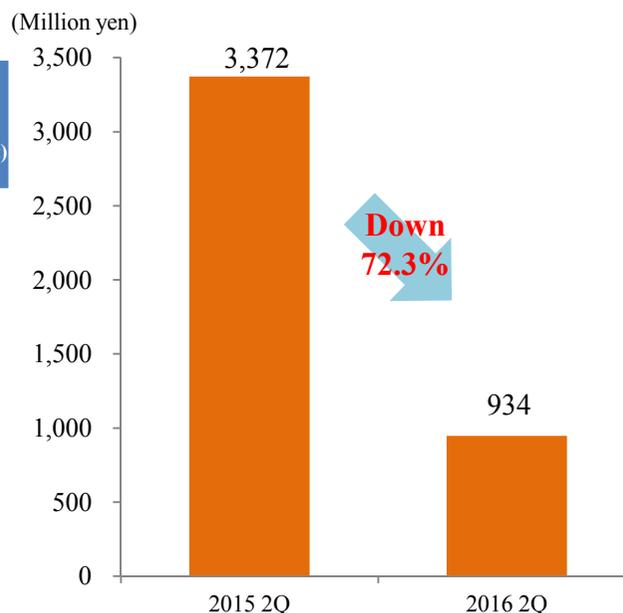
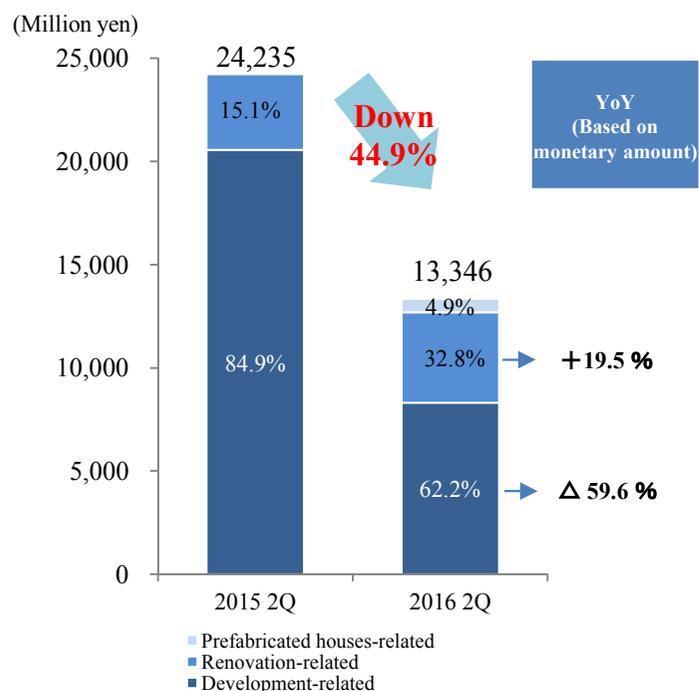
<Sales composition by business segment and major real estate to be developed>

- Development-related: While considering the market situation, we procured land for business from the next fiscal year and promoted the real estate to be handed over next fiscal year.
- Renovation-related: Sales exceeded the estimate, because we were in the busy season and the procurement in the previous fiscal year was healthy.
- Prefabricated house-related: We established Kumamoto Branch for restoring the area devastated by the Kumamoto Earthquake.

◆ Sales composition by business segment (%)

◆ Segment income

◆ Major real estate to be developed



Residential Shinagawa Nakanobu Gran Class



<Location> Nakanobu, Shinagawa-ku, Tokyo
 <Access> 2 min. on foot from “Ebaranakanobu” Station of Tokyu Ikegami Line
 <No. of units to be sold> 52 units

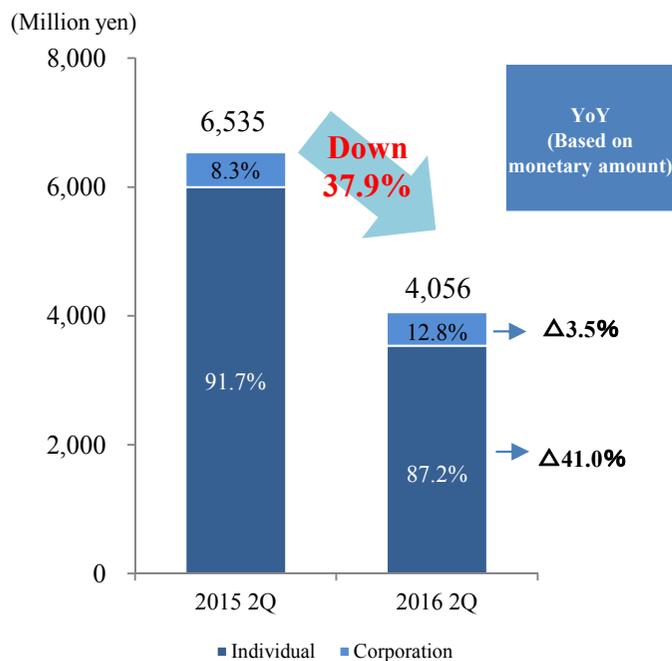
*The prefabricated house business was established in 4Q of 2015, as Omachi World Co., Ltd. became a subsidiary.

Information and Telecommunications Business

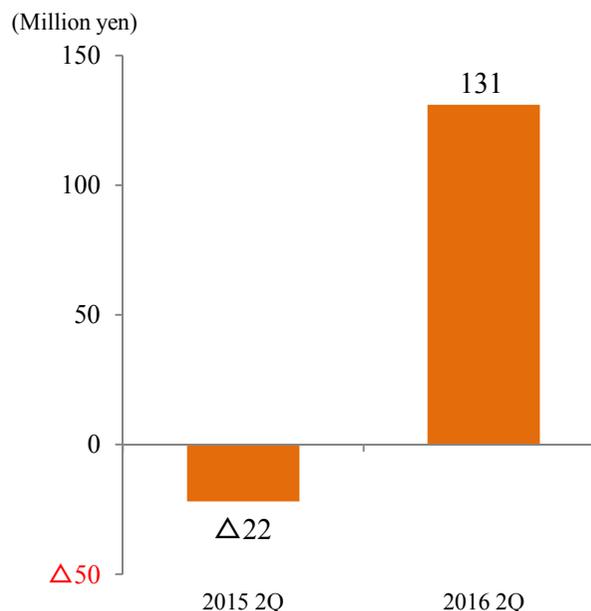
<Variations in sales and the number of stores>

- We enhanced the sale of related products to meet the needs of customers, increasing revenue per customer.
- We developed efficient large stores through abolishment and integration, and strived to improve competitive advantage.

◆ Sales for each target



◆ Segment income



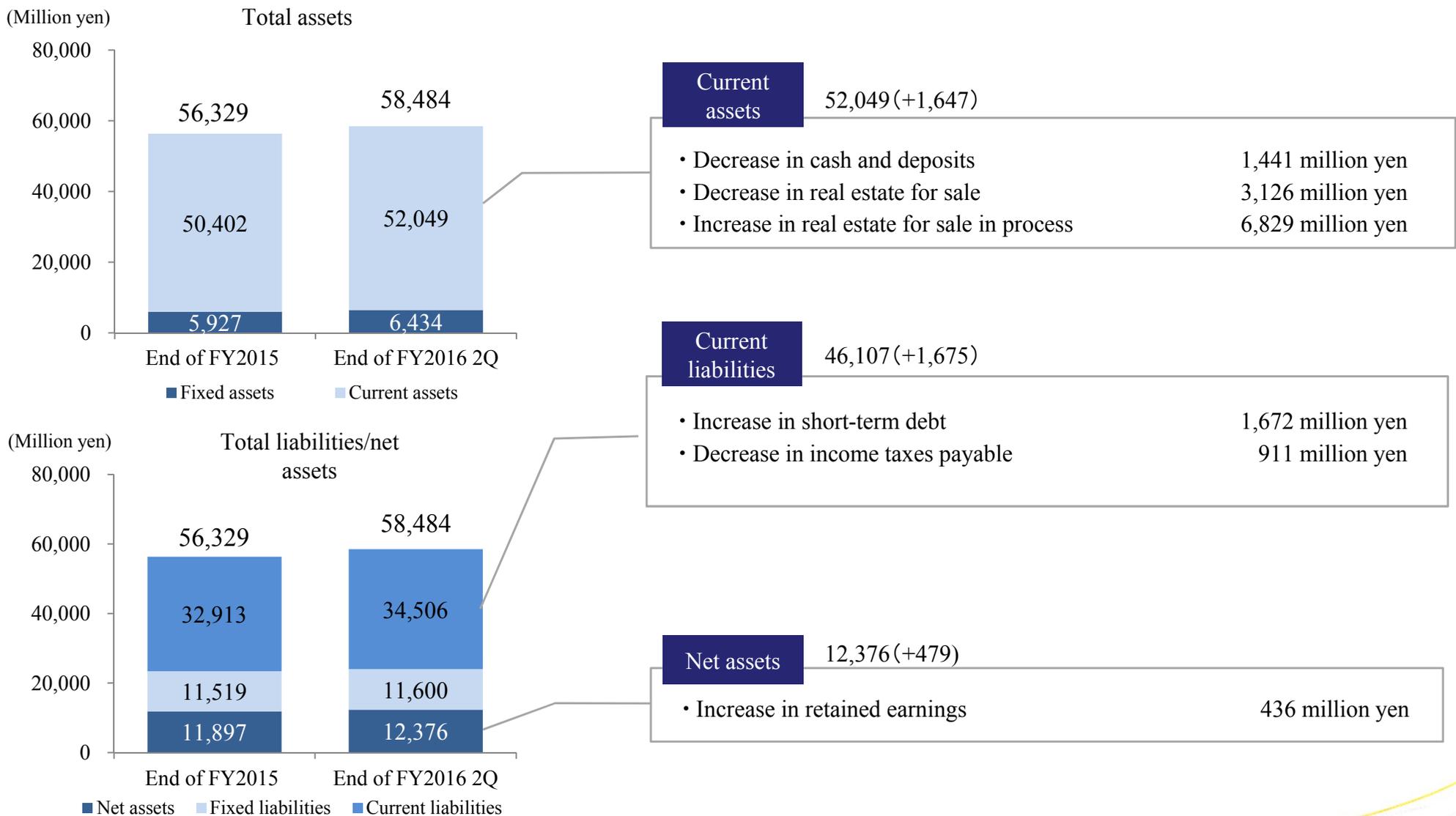
《Plentiful product lineup》



Financial Condition B/S



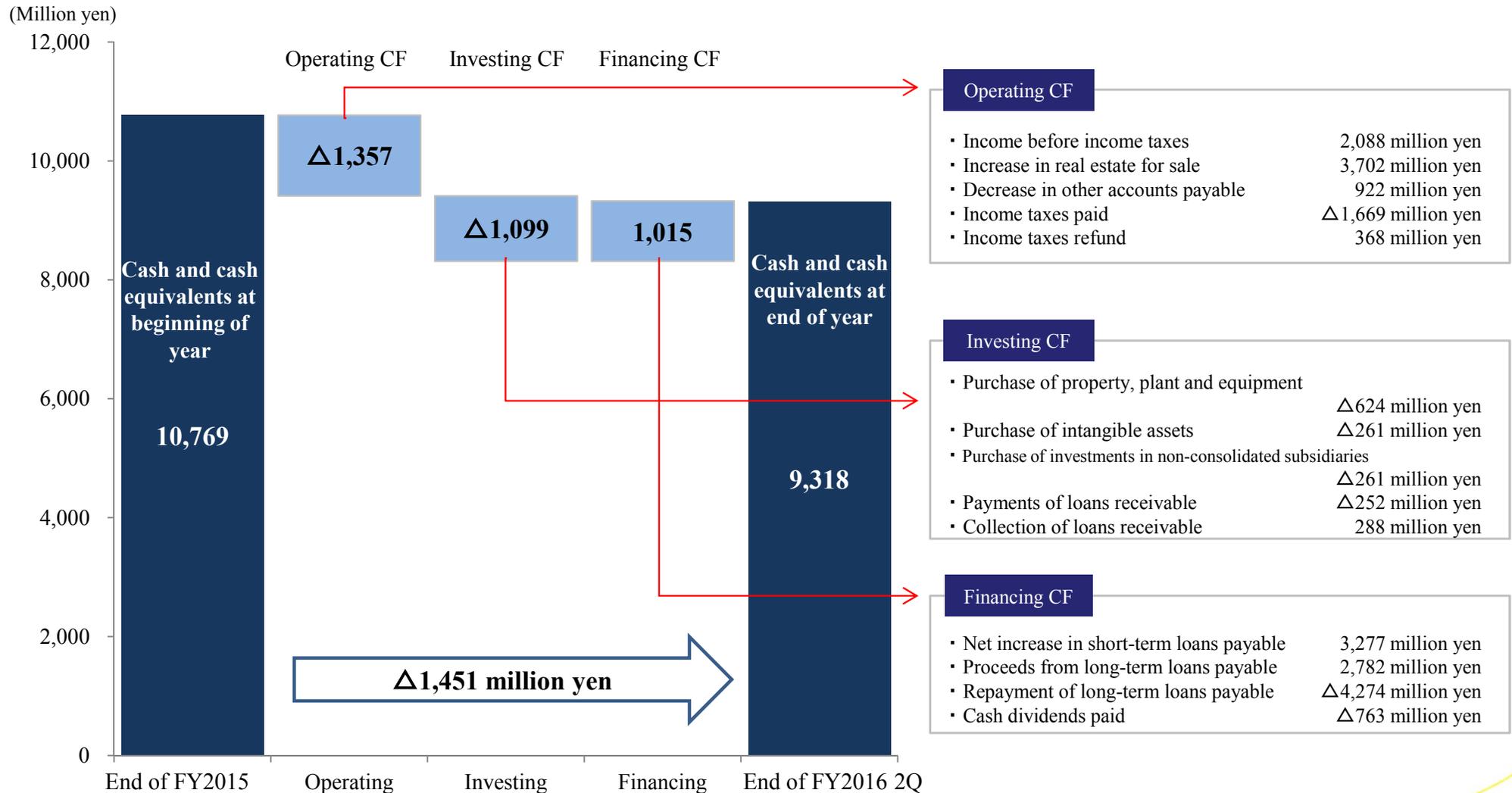
● For the next fiscal year, we procured new land for business in each area, increasing real estate for sale in process.



Cash Flows



- In operating CF, there was an expenditure of 1,357 million yen. In investing CF, there was an expenditure of 1,099 million yen. In financing CF, there was an income of 1,015 million yen.





We would like to express our heartfelt condolences to the victims of the earthquake. Our company prioritized what we can do for our clients and employees as an enterprise based in Kyushu.

《Situation of damage》

Just after the earthquake
The business operation by over 200 workers at 2 business establishments in Kumamoto Prefecture was stopped. Production output declined in other regions, too.

Securing of workplaces through the transfer among business establishments

↓
The effect on the results for 2Q is minor.

From the second half
The base in Kumamoto Prefecture decreased.

Recruitment of several hundred workers as budgeted, and there is the effect on related business establishments.

Expansion of the impact from the second half



Omachi World started aid projects as a local enterprise, although its affiliated factory is Kumamoto Prefecture was damaged. The company has offered 40 prefabricated houses in Mashiki Town, Ozu Town, and Minamiaso Village.



Asahi Shimbun (Kumamoto edition): Jul. 29, 2016 issue



Kumamoto-nichinichi Shimbun: Jul. 29, 2016 issue



II. FY2016 Business Forecasts

Summary of FY2016 Business Forecast



- It is estimated that sales will grow for the 7th consecutive term and profit will increase for the 6th consecutive term, marking record highs.

Unit: million yen, %	FY2015 actual	FY2016 budget*	Change from forecast	
			Change	Pct. change
Net sales	87,984	100,111	12,127	13.8
Operating income	5,137	6,275	1,138	22.2
Ordinary income	5,133	6,153	1,019	19.9
Net income attributable to owners of parent	3,810	3,814	3	0.1
EPS (yen)	228.05	228.27	0.2	0.1
Dividend per share (yen)	45.7	68.5	22.8	49.9

*Announced on February 3, 2016.

Business Forecast by Segment



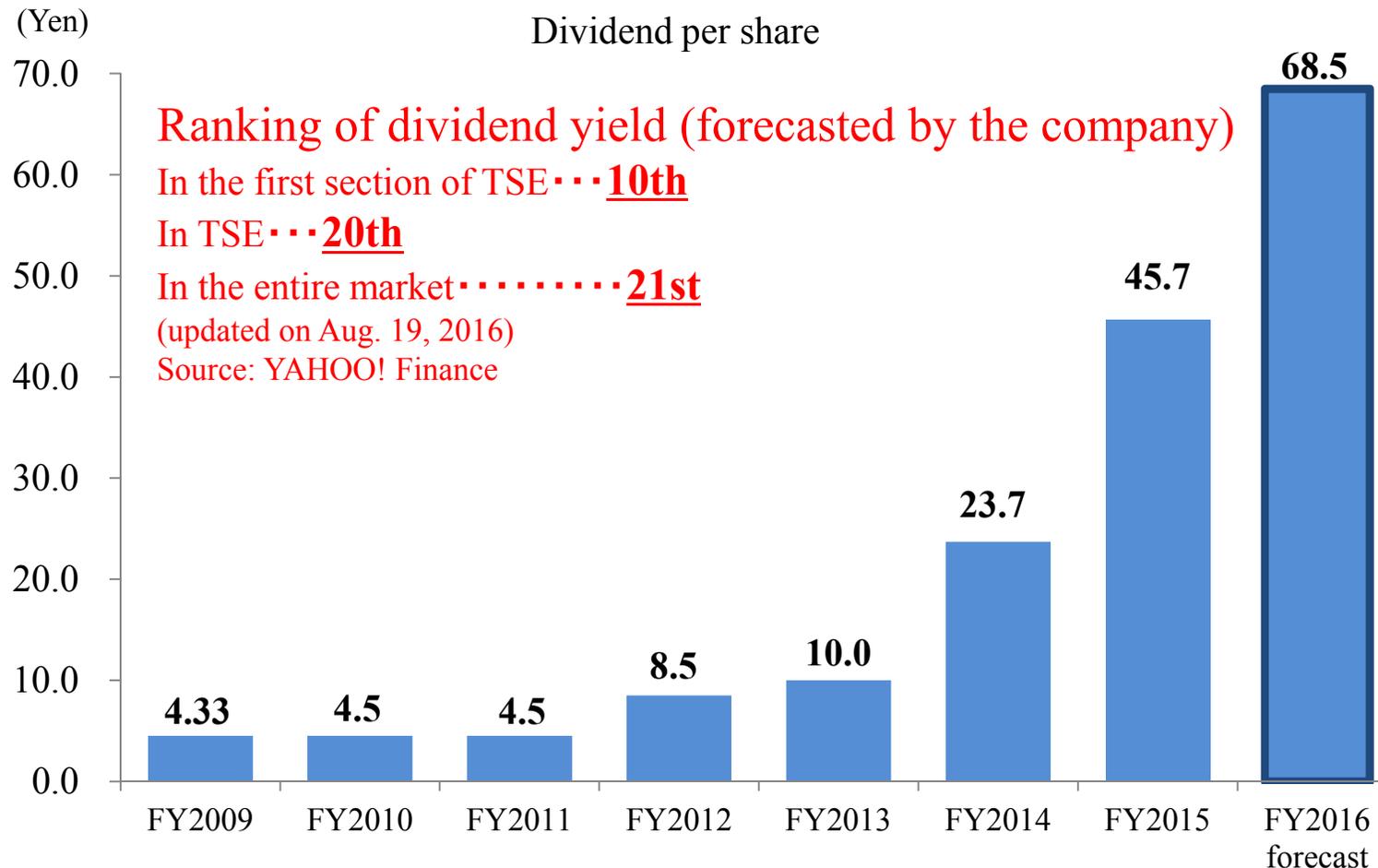
- All of the 3 core businesses are estimated to increase profit.

Unit: Million yen, %			FY2015 actual	(Profit margin)	FY2016 budget*	(Profit margin)	Change from forecast	
							Change	Pct. change
Human Resources and Education Business	Factory Business	Net sales	26,910		32,571		5,661	21.0
		Segment income	1,801	(6.7%)	2,316	(7.1%)	515	28.6
	Technology Business	Net sales	9,547		10,669		1,121	11.7
		Segment income	989	(10.4%)	952	(8.9%)	Δ36	Δ 3.7
	R&D Business	Net sales	4,755		5,650		894	18.8
		Segment income	518	(10.9%)	565	(10.0%)	47	9.1
	Sales & Marketing Business	Net sales	3,972		5,525		1,552	39.1
		Segment income	218	(5.5%)	296	(5.4%)	77	35.5
	Others	Net sales	491		547		56	11.4
		Segment income	15	(3.2%)	26	(4.8%)	10	70.3
Total (reference)		Net sales	45,677		54,963		9,286	20.3
		Segment income	3,543	(7.8%)	4,157	(7.6%)	614	17.3
Real Estate Business	Real Estate Business	Net sales	31,785		37,092		5,307	16.7
		Segment income	3,061	(9.6%)	3,921	(10.6%)	860	28.1
Information and Telecommunications Business	Information and Telecommunications Business	Net sales	10,522		8,056		Δ2,466	Δ 23.4
		Segment income	4	(0.0%)	200	(2.5%)	195	4,054.5
Total		Net sales	87,984		100,111		12,127	13.8
		Elimination or corporate	Δ1,472		Δ2,003		(—)	(—)
		Operating income	5,137	(5.8%)	6,275	(6.3%)	1,138	22.2

*Announced on February 3, 2016.



From fiscal 2016, we aim to achieve a payout ratio of 30%.



*The forecast and dividend estimated are based on the information that the Company has and a certain assumption that is considered reasonable. There is a possibility that the actual results may largely differ based on various factors.



III. Future Activities



Goal

Term ending Dec. 2016

To become a corporate group with sales of 100 billion yen

Basic strategies

- To inject managerial resources to more promising fields
- To expand profit rather than sales
- To pursue the cooperation and synergy among group companies

Mid-term managerial plan

	2014/12 (Results)	2015/12 (Results)	2016/12 (Goal for the last fiscal year)	2016/12 (Budget※)
Sales	68.8 billion yen	87.7 billion yen	100 billion yen	100.1 billion yen
Operating income	3.7 billion yen	5.1 billion yen	5 billion yen	6.2 billion yen
ROE	30.3%	41.8%	20.0%	30.8%
Equity ratio	16.1%	19.2%	25.0% or higher	23.2%
Payout ratio	20.0%	20.0%	20.0% or higher	30.0%

We aim to establish an optimal portfolio for boosting growth potential and profitability further.

Business environment

《Survey by the Bank of Japan》 The performance in the manufacturing field is estimated to decline till the end of the year.

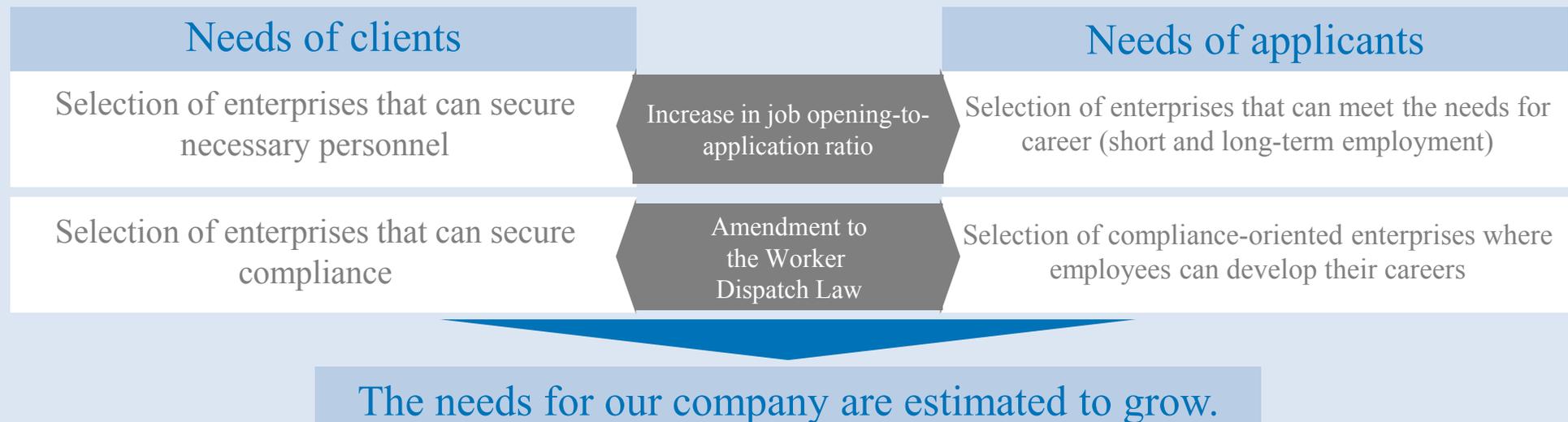
- Significant difference in performance among business types and enterprises
- Businesses are so understaffed that the ratio of job offers to job seekers exceeds 1.

《About 1 year after the amendment to the Worker Dispatch Law》

The differentiation by coping with the law will become obvious.

- A variety of problems with the enterprises that cannot respond to the amendment will emerge.

Short-term viewpoint



Strategy

To take various measures for “enhancing recruitment”

Domain expansion in various fields

● To expand our business domain in new field, by utilizing the infrastructure of the existing business

Business expansion through M&A

● To strengthen our existing business and expand our business field
Results: Noritz Taiwan (Techno), Nikken Techno (repair)

Job creation for personnel with various aims

● To maximize labor population by creating jobs

Increase of external alliance firms

● To increase employment by utilizing management capability and increasing alliance firms

Systematization of career development

● To develop personnel by offering workplaces and education

Conventional
business

The major task was to meet the needs of clients... Matching business
= Mobilization of labor population



What our company considers...

How new
business
should be
operated

Real job creation means “the creation of personnel and tasks”
= Maximization of labor population

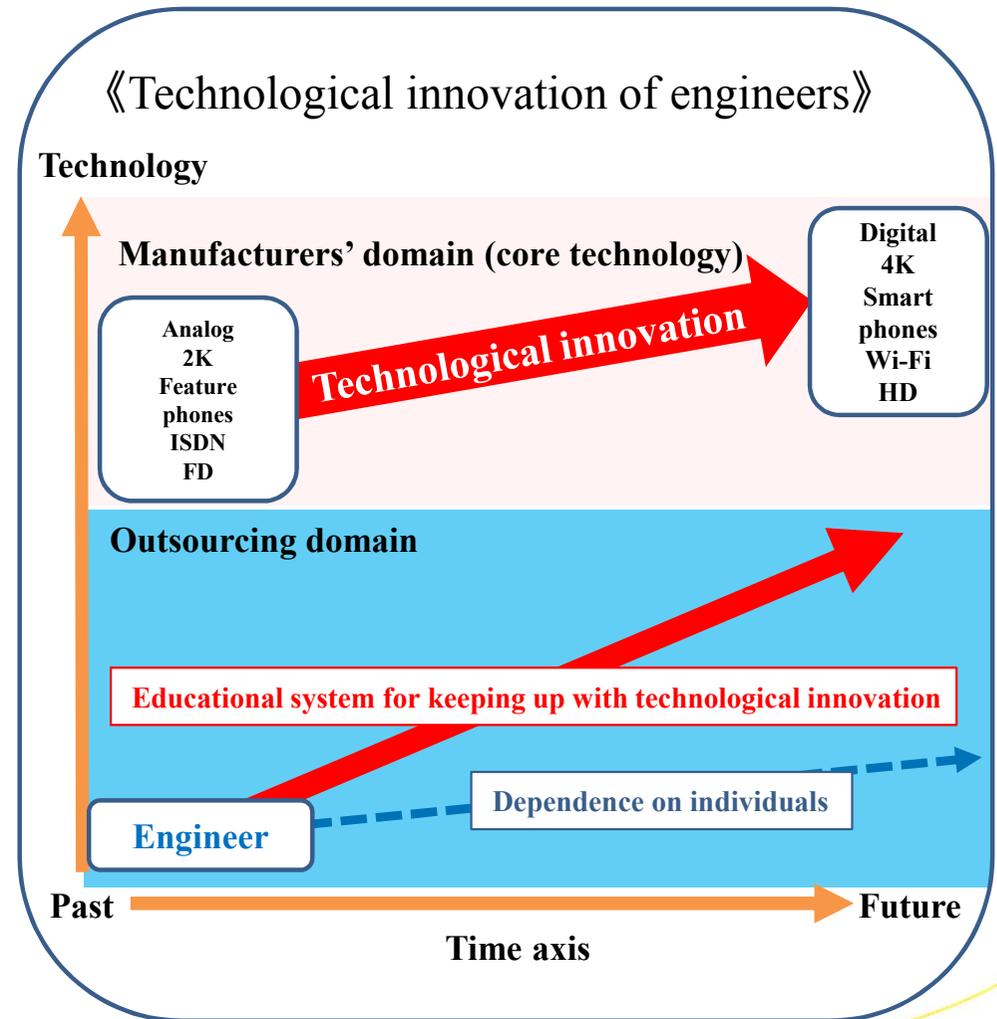
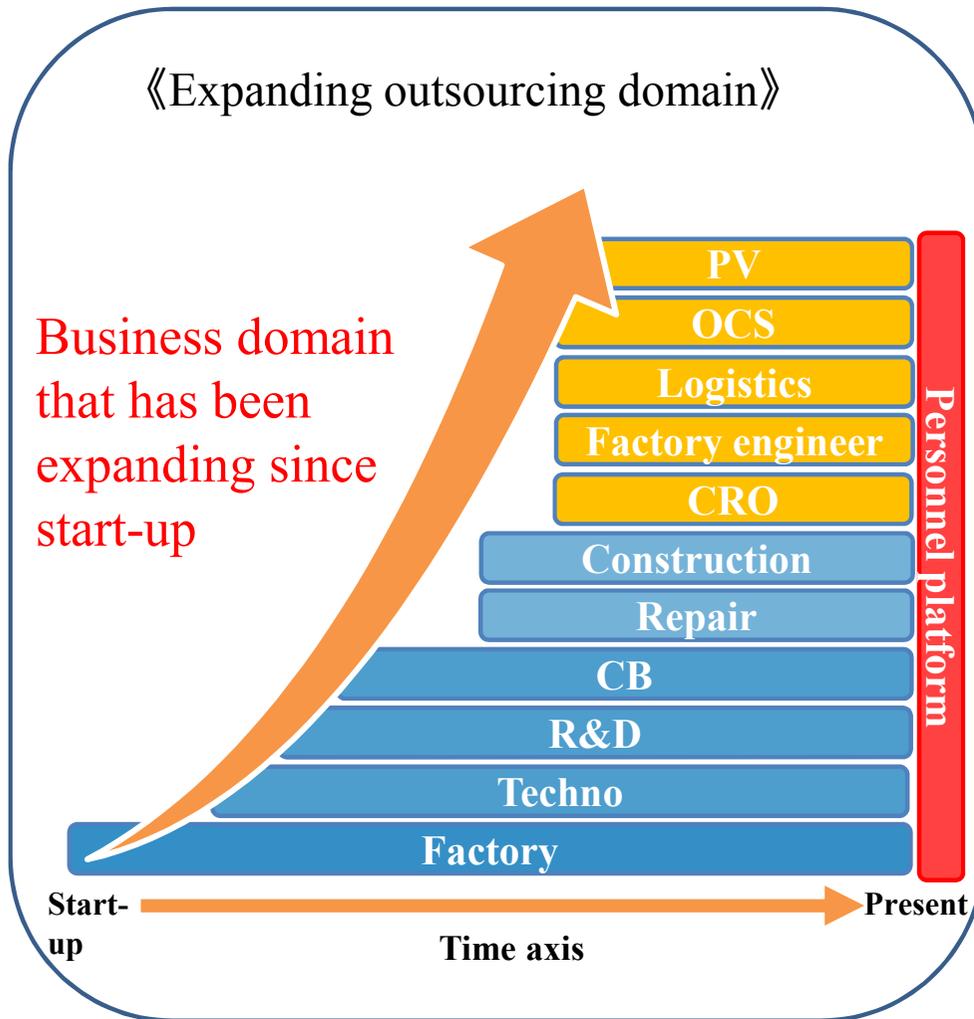
For people ⇒ Creation of working
personnel

- Expansion of business fields in which workers can take on a challenge
- System for making up for insufficient skills (career development)
- Skill improvement through long-term employment

For enterprises ⇒ Creation of
workplaces

- Creation of workplaces where workers can take on a challenge
- Sharing of merits of personnel utilization
- Provision of know-how as first-mover advantage

As for the personnel and education business, we will develop platforms in various manufacturing fields, by creating new labor population.



Future Measures in the “Real Estate Business” 1

Business environment

Rise in land prices

Factors in the rise in land prices

- Large consumption by foreign visitors to Japan (rise in rents)
- The prices of land for hotels rather than condominiums increased.
- The high increase rates in local central cities contributed.

- The prices of condominiums in urban areas remain high.
- The land prices in local regions will increase further.

Problem of vacant houses

Vacant houses are increasing in both urban and rural areas.

- Aging population and declining birthrate
- Increase of newly built houses

- Expansion of procurement regions
- Rationalization of prices of single-family houses procured

Short-term viewpoint

Procurement
 (Rise in the prices of real estate procured)

- Skyrocketing of land prices through the expansion of hotel needs
- Rise in the prices of vacant good-quality houses

- Procurement by enterprises that have their original routes
- Leading companies will procure real estate while prioritizing supply, even if prices keep increasing.

Sale

- Rise in selling prices
- Increase in land prices
- Increase in labor costs
- Increase in building material prices

- Change in the purchase environment of buyers
 Buyers keep their willingness to buy, as their incomes increase and interest rates drop.

Future Measures in the “Real Estate Business” 2

Strategy

To prioritize the business operation while grasping the economic and business environments

【External environment】

【Strategies and measures】

Development

- Areas where land prices are stable
Sendai, Tokyo, Osaka, Fukuoka



- Prior acquisition of seed lots and adjustment of entitlements
= Creation of land for business
- Development by our company and sale of high-priced land
= Expansion of profit rate and risk hedge

Renovation

- Community-based achievements will be accumulated.



- To promote procurement at reasonable prices, by utilizing the results in each region

Prefabricated houses

- To meet the needs for restoration
- Olympic-related needs will grow



- To start operating new facilities (Kumamoto Branch)
- To increase new contracts in eastern Japan

Business environment

Cell phone market

▶ Shipment volume has been decreasing for 4 consecutive years.
Smartphone penetration rate: 60.2%

- Utilization of ICT (such as IoT, big data, and AI) based on national measures
- Smartphone penetration rate will grow further.

Distributors

▶ No. of stores is dropping.

- Adjustment in response to the decline in sales volume

Short-term viewpoint

Acceleration of customer retention

- Further differentiation of store competitiveness (stores and customer services)
- Acceleration of integration and restructuring by leading companies

Strategy

To enrich services for retaining customers and expand target areas to increase the population of customers

To keep enriching in-store services

- Store development and operation, to increase repeat customers
- Review and execution of career development programs for sales staff

To expand the network of stores

- Development of a highly efficient store network (existing stores)
- Development of store networks in new areas through area expansion (new stores)

To increase products we handle (primary products)

- Increase in profit rate through the enrichment of primary products



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